

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SSO-00 TRSE-00 EB-08 L-03
COME-00 SP-02 OMB-01 DOE-15 SOE-02 CIAE-00 INR-10
NSAE-00 /069 W
-----074780 151444Z /64
P R 151421Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC PRIORITY 3274
INFO AMEMBASSY OSLO

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USOECD

PASS TREASURY FOR ROSENBLUM

E.O. 11652:
TAGS: OVIP (VANCE, CYRUS R), EFIN, OECD, NO
SUBJECT: FRYDENLUND LETTER TO VANCE ON US-NORWAY
DOUBLE TAX QUESTIONS

REF: (A) SECTO 7003, (B) PARIS 18821

THERE FOLLOWS TEXT OF LETTER DATED JUNE 12 FROM
NORWEGIAN MINISTER OF FOREIGN AFFAIRS FRYDENLUND
TO THE SECRETARY WHICH GON FINANCE MINISTER KLEPPE
DELIVERED TO SECRETARY BLUMENTHAL AND UNDER
SECRETARY COOPER (SEPTEL TRANSMITS TEXT OF COM-
PANION AIDE MEMOIRE):

BEGIN TEXT (EXCLUDING SALUTATION AND COMPLIMENTARY
CLOSE):

(1) OWING TO CLARIFICATIONS MADE BY AUTHORITIES OF
THE UNITED STATES OF AMERICA THIS YEAR REGARDING
US TAX CREDITS IN RESPECT OF TAXES PAYABLE ABROAD,
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CONCERN HAS ARISEN IN NORWAY WITH REGARD TO THE
APPLICATION OF US TAX CREDITS IN RESPECT OF TAXES
PAYABLE IN NORWAY AND COVERED BY THE CONVENTION
BETWEEN THE KINGDOM OF NORWAY AND THE UNITED STATES
OF AMERICA FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION WITH RESPECT
TO TAXES ON INCOME AND PROPERTY, SIGNED ON 3

DECEMBER 1971 AND ENTERED INTO FORCE ON 29 NOVEMBER
1972. THIS ISSUE MAY COME TO INFLUENCE FUTURE
US INVESTMENTS AND NORWAY'S DEVELOPMENT OF HER
PETROLEUM RESOURCES.

(2) IN THE OPINION OF THE NORWEGIAN GOVERNMENT IT
IS IN THE MUTUAL INTEREST OF THE TWO COUNTRIES THAT
NORWEGIAN OFFSHORE PETROLEUM RESOURCES BE DEVELOPED
EFFECTIVELY. IN THIS CONNECTION, THE IMMEDIATE
AND LONG TERM INVESTMENT OF CAPITAL AND TECHNOLOGY
AS WELL AS MEANINGFUL COMPETITION BETWEEN US AND
OTHER OIL COMPANIES ARE OF MAJOR IMPORTANCE.

(3) UP TO DATE, THE INVESTMENT CLIMATE NECESSARY
FOR THE PARTICIPATION OF US COMPANIES IN THIS DEVELOP-
MENT PROCESS HAS BEEN BOTH STIMULATED AND PROTECTED
BY THE CONVENTION.

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(4) IN PURSUANCE OF ARTICLE 28 OF THE CONVENTION,
THE NORWEGIAN GOVERNMENT WOULD LIKE TO MAKE THE
FOLLOWING OBSERVATIONS ON THE PROPER UNDERSTANDING
OF THE APPLICATION OF ARTICLE 23, CF. ARTICLE 1, OF
THE CONVENTION:

1. NORWAY DEEMED IT NECESSARY TO INTRODUCE THE ACT OF 13 JUNE 1975, NO. 35, RELATING TO THE TAXATION OF SUBMARINE PETROLEUM RESOURCES (SHORT TITLE: THE PETROLEUM TAXATION ACT - PTA). WITH RESPECT TO THE NATIONAL AND MUNICIPAL INCOME TAXES, THE PTA WAS ONLY INTENDED TO ADAPT THE ADMINISTRATION OF THE SAID INCOME TAXES TO THE CHANGING CONDITIONS OBTAINING IN THE PETROLEUM SECTOR. ACCORDINGLY, THE PTA HAS NOT ALTERED THE NATIONAL AND MUNICIPAL TAXES, WHICH CONTINUE TO CONSTITUTE THE INCOME TAXES REFERRED TO IN ARTICLE 1 (1) (B) (I) OF THE CONVENTION.

2. THE PTA INTRODUCES A SPECIAL TAX ON INCOME FROM LIMITED OFFICIAL USE

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PETROLEUM EXPLOITATION AND PIPELINE TRANSPORTATION. UNDER THE TERMS OF PARAGRAPH (2) OF ARTICLE 1 OF THE CONVENTION, THIS IS A TAX "SUBSTANTIALLY SIMILAR" TO THOSE COVERED BY PARAGRAPH (1) OF THE SAME ARTICLE. THE SPECIAL TAX IS THEREFORE SUBJECT TO THE ALLOWANCE OF THE US TAX CREDIT UNDER ARTICLE 23 OF THE CONVENTION.

3. FOR FURTHER DETAILS I HAVE THE HONOUR TO REFER YOU TO THE ATTACHED AIDE MEMOIRE.

(5) I SINCERELY HOPE THAT THE OBSERVATION ABOVE WILL BE SHARED BY THE GOVERNMENT OF THE UNITED STATES AND I WOULD VERY MUCH APPRECIATE A LETTER FROM YOUR EXCELLENCY TO THIS EFFECT. FOR MY PART, I AM, OF COURSE, ENTIRELY AT YOUR DISPOSAL, IF YOU WISH TO DISCUSS THIS MATTER IN FURTHER DETAIL.
END TEXT
SALZMAN

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Message Attributes

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